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RULSDMK/NSA US WASHINGTON DC PRIORITY
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RHMCSUU/FBI WASHINGTON DC PRIORITY
RUEAHLA/DEPT OF HOMELAND SECURITY WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEAWJA/DEPT OF JUSTICE WASHDC PRIORITY
RUEKDIA/DIA WASHINGTON DC PRIORITY

S E C R E T SECTION 01 OF 03 SANAA 002575

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PLEASE PASS TO NSC FOR TODD HINNEN; TREASURY FOR DANIEL
MCGLYNN AND JEFFREY ROSS; SECSTATE FOR PETER EVANS, JIM
HUNTER, AND KATHERINE LEAHY; JCS FOR LTC GAVRILIS; DOD HQ
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CIA HQ FOR P. MUNOZ; NSA FOR ANDREW COOLEY; FBI HQ FOR
WILLIAM DAYHOFF; AND DHS FOR MARK MIDDLETON.

E.O. 12958: DECL: 08/22/2016
TAGS: [PGOV](#) [PREL](#) [PTER](#) [EFIN](#) [YM](#)
SUBJECT: TERRORIST/INSURGENT FINANCE OPERATING ENVIRONMENT
IN YEMEN

REF: A. SECSTATE 132693
[1](#)B. SANAA 54

Classified By: Ambassador Thomas C. Krajeski for reasons 1.5 (b) and (d
) .

[1](#)1. (S) SUMMARY: Yemen provides no known financial support for
terrorism and insurgency in Iraq. Financial controls in
general are weak, making it difficult to track suspicious
transactions. The informal financial market comprises the
vast majority of transactions, making it even more difficult
to control. Nevertheless, Yemen is not believed to be the
site of large-scale terrorist or insurgent financing. In the
past, Yemenis were known to be joining the insurgency in Iraq
in a mostly ad hoc nature, but recent Republic of Yemen
Government (ROYG) actions have cracked down on cross-border
movement. Yemen's legal structure for combating money
laundering is sufficient, but there remains considerable
uncertainty regarding the definition of terrorist support
under the law. Yemen has not acted to freeze assets
belonging to Sheikh Abdulmajid al-Zindani, who is listed
under UNSCR 1267. There are no confirmed reports of
financial activity in Yemen by former members of Saddam
Hussein's regime in support of the insurgency. END SUMMARY.

Support to Terrorist/Insurgents in Iraq

[1](#)2. (S) Prior to 2004, Yemen was the site of organized
recruitment to support the insurgency in Iraq. The movement
peaked with the arrest of 19 returning insurgents, 14 Yemenis
and 5 Saudis, charged with planning terrorist attacks in
Yemen. All 19 were later acquitted by State Security Court
Judge Mohammed Al-Badani, who ruled that there was no Yemeni
law against engaging in jihad. The case is currently under
appeal and the prisoners remain in custody.

[1](#)3. (S) The arrest of these returning jihadis served as a
warning to the ROYG, which began to fear that experienced

insurgents would expand their activities to Yemen. Since that time, the ROYG has increased controls on recruitment and restricted the movement of aspiring insurgents across its borders. It is likely that informal recruiting efforts persist, however, and individuals inspired by the rhetoric in radical mosques or television images still find their way to Iraq. False documentation also remains an issue. Pervasive corruption and poor administrative systems make it easy for foreign nationals to obtain passports and other fraudulent documents to facilitate travel to Iraq.

¶4. (S) Due to its extreme poverty, Yemen is not generally thought to be a significant source for terrorist financing. There are no specific individuals or mechanisms known to provide direct support to insurgents in Iraq. Nevertheless, Yemen's financial sector is a virtual black hole, making it impossible to verify the ultimate destination of small-scale hawala transfers or even larger bank transfers. In April 2006, authorities in the United States arrested a Yemeni under the Patriot Act for running an illegal remittance operation with possible links to Al-Qaida and other terrorist organizations. Sheikh Abdulmajid Al-Zindani, designated a financier of terrorism under UNSCR 1267, continues to function normally as the president of a religious university and as a member of the board for the "Charitable Society for Social Welfare," an organization which is currently under investigation. The UNSCR requires that the ROYG freeze Zindani's assets, but no action has been taken to date.

Members of Saddam's Regime

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¶5. (S) Post is aware of only one former member of Saddam Hussein's regime, Omar Sabawi, currently residing in Yemen. There is no evidence of any financial transactions related to the Iraqi insurgency, although attempts have been made to freeze Sabawi's assets. (Ref B) Other Iraqis residing in Yemen are low-level military officers and civilians with no known financial connections to the former regime.

Legal Controls on Money Laundering and Terrorist Financing

¶6. (S) Law 35 for Money Laundering (and Highway Robbery) was issued in 2003, and serves as the legal basis for ROYG efforts in combating Terrorist Financing (TF). The law gives the Central Bank of Yemen (CBY) authority to create an Anti-Money Laundering Unit, which gathers information from public and private banks, as well as money-changers. The CBY issues periodic circulars to commercial banks warning them of possible money-laundering violations. There has been some public discussion of a specific TF law, but public discord over the definition of terrorism has prevented any action to date. The recent ruling by the Badani court regarding the legal status of jihad may indicate that Law 35 does not cover support for the insurgency in Iraq.

¶7. (S) Republican Decree 159 in 2004 established a General Directorate on Combating Terrorism and Crime within the Ministry of Interior. Post believes that this unit carries out most serious TF investigations, but the results are not publicized. Law 35 created the Higher Committee on Money Laundering, chaired by the Minister of Finance, which meets semi-regularly and includes key ministries and representatives of the private sector. The committee serves as the primary link to MENA FATF (Financial Action Task Force), in which Yemen is a founding member, prepares regulations, and coordinates between agencies on anti-money-laundering issues. A separate Terrorist Financing Committee, headed by the Ministry of Foreign Affairs, has been in existence since 2000. MFA coordinates among various ministries on issues relating to the UNSC 1267 committee.

¶18. (S) Cabinet Decision 248 of 2005 approved a draft republican decree on the issuance of implementing regulations to enforce Law 35. Decision 248 was passed by the Council of Ministers in response to questions from the UNSC, including demands that the ROYG criminalize terrorist financing derived from lawful sources, and is currently awaiting approval from the President's Office. The Decision is also intended to bring Yemen into compliance with the FATF recommendations on ML and TF, but it is not yet clear if it does so.

Reporting Requirement for Suspicious Transactions

¶19. (S) All commercial banks are required to establish internal anti-ML units, and must inform the CBY of any suspicious transactions or any transaction exceeding USD 10,000. Due to limited resources at the CBY, this operates on a voluntary basis and few suspicious activities are referred in practice. When a report is filed, the form is completed by hand and delivered to the CBY. A report triggers action from the Anti-ML Unit, which to date has turned up six cases of fraud and one person on the CBY blacklist.

¶10. (S) The unit currently has no supervisory authority over foreign currency transactions, and banks are not required to report such activities. Banking oversight is conducted as part of the CBY's annual on-site bank inspection, when 17 CBY staff review the banks' balance of payments. The inspectors are responsible for monitoring all commercial banks, as well

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as 300-400 hawalas. The Ministry of Labor and Social Affairs is responsible for oversight of NGOs. The CBY's Anti-ML Unit operates as a Financial Intelligence Unit -- it has engaged in discussions to join the Egmont Group, but has not yet done so.

¶11. (S) The domestic legal basis for freezing or seizing assets is based on the resolution and instruction of the Council of Ministers dated 3 October 2001 and 31 August 2003. These Cabinet Decisions ordered the suspension of financial support to terrorist individuals and entities listed under UNSC 1267. They authorize the ROYG to "freeze funds, financial assets and economic resources." Cash transfers across borders are officially limited to USD 10,000.

Implementation a Challenge

¶12. (S) Yemen's de facto policy toward inhibiting support for terrorist/insurgent finance is extremely limited. The Higher Committee for Money Laundering has primary responsibility for enforcement of the law, and refers criminal cases to the Ministry of Interior and the Attorney General. Information is gathered by the CBY. Few such cases are ever reported. The CBY faces severe limitations in capacity, both in material and human resources.

¶13. (S) In principle, the ROYG accepts the interpretation that UNSCR sanctions apply to physical property in addition to deposit accounts, but the Government has done nothing to freeze assets belonging to Zindani -- the only Yemeni currently listed. Nor has the ROYG taken any action to restrict donations to institutions under his name. There are no known regime assets to return under UNSCR 1483.

¶14. (S) Most illegal transfers are conducted through the small-scale hawala market, making them especially difficult to trace. The CBY has oversight authority over hawalas, honey shops, and other locales for financial transfers, but this is generally limited to an annual inspection and controls are not effective. There is little oversight of

cash couriers across borders.

Limited Communication

¶15. (S) The ROYG does not regularly share information with the Embassy regarding terrorist/insurgent finance, nor does it share such information with the Government of Iraq. It is doubtful if the ROYG possesses any such information, even if such transactions exist. The ROYG pursues a dual track with regard to the insurgency in Iraq. In public, ROYG officials neither support nor oppose the insurgency. Public media, however, uses terms such as "occupation" and "resistance" that appear to condone terrorist acts. In private, ROYG officials assure post that they are doing everything in their power to control the movement of Yemenis to neighboring countries to participate in the "jihad."
Krajeski